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III.

THE STAGNATION OF TRADE AND ITS CAUSE.

THE nations of the world are suffering severe commercial depression. The public press in many countries abounds with unceasing comments on this painful fact. Public men of every kind, economical writers, and men engaged in industry, ardently discuss its nature and its consequences. The charitable come forward to relieve the sufferings which it creates, and plunge into discussions on the nature and fitting limits of beneficent charity. Writers of great power debate the causes and the presumptive remedies of this depression. Heavy reductions of wages are demanded by employers who have lost all profit, amid a war of strikes, in the name of the stagnation of business. The workmen retort that they are victims of the oppression of capitalists. Traders, under the impulse of severe losses and the agitations of despair, challenge the convictions of their reason, and, abandoning reflection and judgment, seek help from the delusive follies of protection. A kind of chaos seems to have come over the minds of mankind in this very grave matter.

Amid these sufferings and these anxieties—spread over so many countries—one fact presents itself which is calculated to excite surprise. The depression has gone on and has been keenly discussed for years, yet its true nature and the real cause which has generated it do not yet seem to have been recognized. Every kind of explanation is given of it. It is made to be the offspring of multitudinous causes ; nevertheless, a clear perception of its true character, and of what has brought it to pass, is still wanting. Even chambers of commerce, filled with men of the highest commercial ability, appear to have some, if not theory, at least special view, of their own. Statesmen, too, speak of it as a subject which they do not understand. Not, indeed, that the right explanation is absolutely wanting—in some quarters it has been distinctly pointed

out—but it has not yet reached the stage of a publicly recognized fact. Yet to know what this fearful commercial depression means, and what brought it into existence, are matters of supreme importance for warning and for cure. There are misdoings on which responsibility for the calamity mainly lies, and there are mistaken practices to be shunned, and right action to be adopted, to bring the suffering to the earliest practicable end.

What, then, is commercial depression? Want of buyers. And how come buyers to be few and weak? Because there is an immense diminution of the means of purchasing. And in what does the power of buying consist? In goods to give in exchange—with the exception of a relatively small amount of articles previously made, in commodities produced for the very purpose of being exchanged with one another. This is the one characteristic peculiarity of the economical life of man. Particular goods, needed by the whole community, are made by special makers, and they are distributed to those who require them for use, that is, to consumers, by the makers obtaining from each other what they want for their own needs. The baker makes bread for the town, and he gets from the hatter, the grocer, the tailor, the supply of his wants. When the various producers are fairly occupied with their several industries, many exchanges are carried out, much buying and selling takes place, and trade is said to be prosperous. Commercial depression is the exact reverse. It is stagnant trade—trade paralyzed, and mills and factories work on a smaller scale or are closed, banks and commercial firms break, wages are lowered, workmen and their families are reduced to destitution. All this misery comes from a single cause: there are fewer goods to buy with, less wealth to be exchanged, diminished supplies of food, capital, clothing, and raw materials wherewith to keep laborers at work. They are unable to maintain the full production of those commodities which society requires. In other words, simply and plainly, commercial depression is poverty—poverty among consumers and would-be buyers. This poverty first springs up among those who have been deprived of the ordinary products of their industry, and then it passes on to sellers who find that buyers fail them from lack of means wherewith to buy, lack of goods to give in exchange.

Mere truisms these, we shall be told; what help can they bring? The knowledge, be it answered, of the malady from which the world is now suffering, of the cure to be adopted, and of the bad practices to be avoided in the future. They are every-day truths,

no doubt, but such common truths are emphatically the strength of political economy, and of the proper conduct of business. The practices which they speak of, known as they are to all, are the very things which occur to no one when unusual pressure steps in, and are the very forces which make nations rich or poor. They reveal the essence of all industry and of all trade, common and obvious though they be. At the present moment they give rise to the critical question, How has it come to pass that the goods wherewith to buy have become so few?

Diverse answers are given to this question, which are not truisms—very far from it—especially when they fall from the lips of traders. “There is no money to buy with,” exclaim shopkeepers; but such an answer does not throw the faintest light on the dark problem. Nations are not made poor, nor their mines and factories shut up, nor emigrant laborers driven back to their old homes, because gold and pieces of paper are in one place rather than in another. Money, whatever be included under the term, is a mere tool, absolutely nothing else. It renders no other service to mankind than to place property in different hands; it does not add to or diminish commodities. As well explain the badness of the wheat crop by talking of the farmer’s carts. Whether a country is prosperous or depressed, the quantity of money contained in it varies by very trifling amounts. The means with which every man buys are his income, and incomes, be they rent, profits, wages, or dividends, are nothing else but the share each man obtains of the commodities produced. These shares may become much larger or much smaller by the common stock from which they are taken being increased or diminished, and yet no change will have taken place in the quantity of coin in the country.

Money, then, reveals nothing which will help us to understand the causes of the commercial depression. A far more favorite explanation is found in the phrase “over-production.” It seems supported by such visible evidence. Vast stocks are piled up at mines and factories waiting for buyers, but none come. Merchandise is offered in every market all over the world, but no orders for shipment arrive. Production, people say, has been overdone; the natural wants of consumers have been grossly exceeded by speculative manufacturers; can any one wonder that purchasers can not overtake them? That there is over-production now going on, with much harm to traders, is an undeniable fact. The existence of the excessive stocks and the dismissals of workmen are proofs of over-

making which can not be gainsaid. How this over-production has been brought about will be explained presently. Nevertheless, it is not the cause of the commercial depression; it is the second stage of the disease, not the first.

It is a common occurrence that particular markets should be brought under severe reduction of prices and difficulty of sales by an over-supply of commodities; but this over-supply is local, temporary, and speculative. It tends rapidly to cure itself. Merchants and producers, with heedless eagerness, have taken an exaggerated view of the capacity of a particular market to dispose of a large amount of their goods. They make ventures, which are essentially experiments whether the market will take off the wares hazarded. Such miscalculations were frequent in the colonial trade when the colonies were smaller, and the steamboat and the telegraph had not yet come forward to reveal the true state of the markets. But these miscalculations speedily cure themselves. Traders are not permanent gamblers, and this kind of over-production soon reckons up its losses and ceases.

The depression which now weighs upon the world exhibits features of a different kind. Its distinguishing characteristic is that it sweeps over many countries. It presses, so to speak, on the whole civilized world. It is easily conceivable that England should have produced more goods than China could buy under her circumstances, or India, or America, or Russia. She may have reckoned on the ordinary demand from one of these countries; it may have failed her through causes peculiar to each case, and then her goods may have found no buyers. The consequences to some may have been painful—factories for a while over-stocked, and makers and men involved in temporary trouble. But general over-production, extending over many countries simultaneously, is a totally different matter; it can not be regarded as possible. The world is far short, as yet, of that stage when there is already wealth enough—when no one desires to have more enjoyments, and when he will make no industrial effort to obtain them. The maximum of necessities and gratifications has not yet been reached by mankind. The reverse is true—millions of men and women have not enough to consume. They want more and work for more, and this means that by producing more there is more trade, and that all are better off. This increased production moves upon the old lines. Each branch of industry furnishes more goods, and these can be sold easily, because each producer has a larger supply of his own products wherewith

to purchase those of others. Great production on every side can not imply scarcity of purchasing power and of buyers, but the direct contrary. The continuance of production after the means of buying have disappeared may easily become excessive, and generate mischievous effects; but that excess will be the offspring of under-production in some quarter which has suspended its ability to trade.

We thus arrive at over-consumption, that is, the consuming and destroying more wealth than is made, as the true explanation of that commercial depression which may be termed universal. Subsequent partial over-production has aggravated it, but was not its original parent. It thus becomes a matter of surpassing interest to inquire, if possible, what are the causes which have brought the world into this condition. How has it happened that so many nations have been impelled to consume more than they restored by their industry, and thereby have landed themselves in impoverishment and distress? We may hope to learn from such an inquiry some lessons that may guard against the recurrence of so great a misfortune.

How, then, has it come to pass that the means of buying, that the quantity of goods to exchange, have been so fearfully reduced? Let us turn our eyes, in the first place, to India and to China: these countries will furnish us with terrible illustrations of over-consumption. They were visited with great famines; and there is no over-consumption severer than that created by famine. The cost of cultivation is increased, laborers are fed and clothed, tools bought and used, seed destroyed, a whole year's capital annihilated, and there is no crop; no replacement of the things destroyed. The population is ground down to poverty, many perish—as Ireland testified in 1847; a second outlay of food and clothing has to be expended for one crop; the power of buying is annihilated. Comforts and luxuries became of impossible attainment, and the demand for goods to be supplied to China and India all but vanished from English and American markets. How was Manchester to sell calico, and Bradford woolen cloth, to the East when there was nothing to pay for them—no Chinese and Indian wealth to send back in exchange? Depression and its cause here present themselves very vividly to the eyes of all who have the will and the intelligence to see.

Let us now turn to the United States: they have instruction to give us of the highest value. They occupy a prominent place in this cycle of depression. In no small degree they set it revolving. The part which America took in creating the commercial depression was

of her own choosing : China and India suffered from a dispensation of Providence. America never gave a thought to the obvious law that to consume more than is restored by subsequent industry lands man and nation in impoverishment. She constructed railways with mad eagerness in the wilderness, never stopping to inquire what it was that she was doing. She never deigned to ask herself whether she could afford the cost. What so prolific of wealth as railways ? Had not Robert Stephenson pointed out years ago that the railways had paid off the national debt of England ? These iron roads were the very contrivance for making the American people rich ; they would bring their vast fields and enormous products into close neighborhood with the markets of the world. Those who had settled, or were intending to settle, in the far West, investors eager to employ their capital, speculators on the stock-exchanges, all rushed forward to build railways. They fed and clothed countless laborers, burned huge stocks of coal in making iron, emptied the warehouses and stores of the Eastern States on the busy workers in the West, consumed and destroyed immense accumulations of wealth. The goods perished ; but by what were they replaced ? By rich agricultural crops, by manufactured products streaming forth from mills and factories ? By nothing of the kind. The consumption of wealth made tunnels and embankments, and long lines of rails, and that was all. The effect for the time, and for long afterward, has been identically the same as if the energetic laborers of America had been set to dig holes in the ground and to fill them up again. Here was over-consumption indeed.

But, it will be asked, Does the construction of railroads necessarily impoverish ? No, not necessarily ; but the distinction merits the most careful attention from all who wish well to their country. Railways, docks, factories, mines, and similar constructions, are what political economy calls fixed capital, of which the distinguishing characteristic is that their cost, the capital consumed in constructing them, is not repaid at once, but only after a period more or less long, generally for years. A small portion of what they use up in being made is replaced out of profits each revolving year ; the remainder, though a diminishing quantity, continues to be an uncompensated loss. If, therefore, the construction of fixed capital is carried out to excess, diminution of wealth is the necessary consequence. But what is excess ? What defines it ? Excess is what goes beyond the amount of uninvested savings available at the time. But what are savings ? The amount of wealth produced, the surplus

beyond what restores all the capital laid out in production, profits and wages included. Savings are really surplus income coming in beyond what the owner had to spend naturally, or the manufacturer requires to replace all his cost. That surplus may be consumed in any way without harm ; it may be thrown into the sea, and no poverty is incurred. It is not savings yet ; it becomes savings when it is not laid out in luxuries or increased enjoyment, but is applied as capital to enlarging the means of future production. The man who has ten thousand pounds a year, which he can spend lawfully without injury, if he devotes three thousand pounds to the draining of his estate, spending only seven thousand pounds on his living, saves. He makes his land a more productive machine for wealth, and its produce is permanently larger. Precisely in the same manner, if a nation construct railways or other fixed capital out of surplus wealth saved, there is no over-consumption, no impoverishment. Every expense of the nation had been provided for—what had been won over and above could be disposed of in any way without loss. The United States built railroads, not out of savings, but out of capital, and became poorer and depressed.

But the mischief does not end here. Over-consumption brings in those leaps and bounds in trade of which Mr. Gladstone speaks. It makes a nation bubble over with excitement. The demand for commodities is unnaturally increased. The railway works call for iron and coal, and endless other articles. The supply gave rise to higher profits and wages ; the movement was felt in every store. Luxurious expenditure raised its head ; multitudes of bankers, stock-brokers, engineers, manufacturers, multiplied their purchases, and enlarged their destruction of wealth. Then burst forth new speculations, fresh enterprises, the undulation of excitement and consumption ever expanding. The laborers feel the impulse ; and, if they are Englishmen, and not Frenchmen, their outlay on drink and personal indulgences will keep pace with the universal movement. They marry in greater numbers and at an earlier age, thus sowing in this artificial ground the seed of much misery in the future. Then at last comes the rebound. There is no more to buy with, and overwhelming is the collapse. Commercial depression avenges the universal misconduct with sufferings whose acuteness is but too well understood.

Such was the course pursued in America, and what have been its consequences ? From 1873 until the last bountiful harvest brought back a portion of their lost wealth to the wasteful, a commercial

depression weighed down the country severer yet than that which overtook England. Coal and iron mines stopped working, blast-furnaces were blown out, factories stood still, hundreds of thousands of working people were reduced to idleness, wages rapidly fell, railway traffic declined, immigrants fell away, destitute laborers left the country, strikes broke out into open rebellion, and a widespread mercantile stringency harassed the whole nation for years.

If we cross the Atlantic to Germany the same phenomena present themselves—the same sequence of cause and effect. In 1870 Germany waged a mighty war with France—and what but famine can vie with war in destructiveness to wealth? Think of the multitudes of men whom it converts from producers into consumers only! War replaces nothing that it destroys; impoverishment is its inevitable offspring. But did not the indemnity make all right for Germany? What might not two hundred and twenty million pounds effect in the way of remedy? Everything, if only they had reached Germany in the shape of goods, of useful wealth, to replace as capital what had been consumed. But what could gold avail for the relieving of German distress? The currency of Germany was not deficient, and the new gold could be applied to no restoring process. It could not be turned into wheels for moving machinery, not become food and clothing for a laboring and distressed people. So long as it remained in Germany, all that it could accomplish was to put material wealth into different hands, and this it could do and did in very mischievous ways. Far better would it have been if it had been locked up and hoarded, if it was bound to remain in Germany. A large portion of this gold was applied to military purposes, to the building of fortresses. Their cost was enormous; they consumed without reproducing, precisely as the American railroads, with this difference, however, on the bad side, that in the end the railroads will repay their cost and be permanent increasers of the national wealth.

Nor was this all the harm that the indemnity gold did. Another portion the Government lent to speculators, who retained it within the country. They bought German goods in abundance: prices rose, brilliant profits were realized, and the same fatal tale was repeated. Luxurious consumption spread; instead of restoring what the war had destroyed by parsimony, prodigality magnified the disaster, and the French gold wore the appearance of a clear contrivance devised by France for avenging her reverses.

France presents a spectacle of a different kind; yet France,

too, was a victim of over-consumption. She was devastated by a great war carried on within her territory. Her fields were laid waste, her food for men and horses destroyed, her factories widely suspended where contending hosts were struggling, her laborers called away from their industry and enrolled in unproductive regiments, her capital annihilated in guns and gunpowder. Then came the indemnity; but, fortunately, her thrifty peasants had piled up hoards in their rural homes: it could be lent to the French Government, and leave France without any injury to her industry or her practical wealth. But what was not gold had to be sent away in material wealth, and each year as it revolves finds France pressed with an increase of taxation, amounting to thirty millions of pounds sterling. If ever nation might have been expected in modern times to exhibit the picture of universal ruin it was France. It was far otherwise. France astonished mankind with a power of fighting depression, a strength of recovery, unequaled in history. Her people suffer, but with no sense of overwhelming poverty. The piled-up load of her taxation is borne with ease. And to what is this wonderful sight due? To the practice of the greatest of economical virtues. France saved. She met impoverishment with parsimony. She diminished the consumption of enjoyments, to apply the resources thereby gained to the maintenance of her capital employed in production. These are the realities of practical political economy, and what fruit do they not bear?

England now comes upon the stage. She is found walking in the same path of over-consumption. Since 1870 England has been busy with destroying more wealth than she made, to a degree unequaled by any other country except, perhaps, America. Innumerable are the forces which bear on her commercial position. She trades with all the world, she manufactures for many nations, her industries depend on their power of purchasing; their fortunes she necessarily shares. If her customers thrive, she prospers; if their means of buying fail, the blow is felt in every corner of her land. Their prosperity and their adversity are really also her own.

This community of interest between England and other countries takes us round the world in exploring the causes of her suffering. She was a partner or a victim of their over-consumption, besides what she practiced on her own account. One mode of destroying wealth she abstained from: till quite recently, she did not indulge in the over-consumption of war and great armies. Yet war has affected her deeply—war carried on by her customers. At an earlier period

the great war of the American secession created the cotton famine of Lancashire, stripped her of the means of manufacturing, and threw vast masses of her population into destitution. The Austro-Prussian and Franco-German wars, the devastating hostilities carried on by China in the far East, the struggles in Servia and Turkey, the exaggerated armaments of Russia and Germany, wasted an immense capital, and vastly diminished their power of supporting British industry. Further yet, England took a part in the rashnesses of other countries. She gave help in the invasion of the American wilds by railroads; she bought a colossal amount of American bonds which had been issued for their construction—in other words, she gave away her iron and other wealth, and got only paper documents in return. Thus she practically consumed her wealth—for to lend it is to lose it for the time—without replacing it at home with new products obtained from abroad, and consequently shared in the penalty which had fallen on the Americans for over-consumption.

But England did much more in promoting the process of over-consumption. She imitated the American proceeding of creating an excess of fixed capital. She poured out loans in splendid profusion upon foreign countries, nominally for the development of their industry by railways and other instruments of production. Some she gave to solvent debtors, others to insolvent; but the effect in both cases was identical as to the diminution of her wealth. For the time, for the creation of depression, it matters not whether she lent to a country which would repay or to one which would not. She parted with her capital: she lessened her stock of goods and of means of reproducing; she sent away that which, if it had remained at home, would have amply restored its consumption. The loans were reckoned as money; but money was not the thing lent. England has no money, no gold and silver, to lend; commodities are all that she can give to borrowers. If she bids them draw bills upon her, she can obtain money, if demanded, wherewith to face those bills by purchasing it with her merchandise. To lend became a devouring passion on the Stock Exchange of London. Peru and Venezuela, Honduras and Guatemala, Turkey and Egypt, swallowed up countless millions of English wealth. The grand colonies came forward with a sounder plea for borrowing. They pointed to their vast, expanding trade, to their tillage and their flocks, and they dwelt on the mighty help which railroads and other machinery could render them in developing the natural resources of their country. England relied on excellent interest and a brilliant future.

Her hope and her faith were not misplaced ; but again she forgot that she was over-consuming—that she was losing more capital than she had to spare or could replace.

Another counter-clap fell at home on the unhappy British wealth. The working-classes were impelled by the loans to figure, and to figure largely, in the universal over-consumption. The loans went out in commodities, and the commodities were made by English labor. Ironclads for Turkey, rails and locomotives for America and the colonies, clothing for their men and women, now prospering on what they had borrowed, were energetically supplied from England. Sales were enormously increased ; labor was in vigorous demand by employers reveling in large profits ; prices of all articles advanced ; iron mounted to twenty pounds a ton—the same iron which now fetches only six pounds—and luxurious enjoyment broke out on every side. Who stopped to inquire whether this roaring business was legitimate ; whether England was making for eager borrowers, getting nothing but acknowledgments of debt in return ? Masters and men were not responsible for these loans ; that was the affair of Stock-Exchange men and bankers. All that they knew was, that their products were in great demand, and were handsomely paid for. The increase of wages led to a further immense over-consumption ; for English laborers do not save. The wealth of the nation was largely destroyed in drink and luxuries. But this was not all. The union leaders took advantage of the situation to enforce that ignorant policy which has led to so many disastrous rules for withholding the worth of wages, and preventing the workingmen from giving back work worth what they received. Strikes, with their suspensions of industry, while consumption was going on at an accelerated pace, followed in numbers. It would seem as if men had enlisted themselves in a race how to impoverish themselves and their country most swiftly.

Nor does this end the catalogue of woes. Profits would not be outdone by wages in the pleasant function of over-consuming, of living on the destruction of capital ; never heeding that they were galloping into poverty. New enterprises were pushed forward ; new factories and other fixed capital created ; new mines opened ; new stocks accumulated. No one dreamed of the day, so dark upon the world now, so slow to set, when over-production would rear its unwelcome head ; when buyers would die away ; when markets lately so brilliant would be overloaded, and commercial depression would reign supreme in the darkness.

Thus opens upon us the second scene in this wonderful drama, the second stage in the process of over-consumption—the period of over-production. The curtain was first lifted in America. In 1873 the American people found that the poverty-creating practice of building an excess of fixed capital could be carried on no longer. The day of reckoning broke upon the promoters of illegitimate railroads. A severe crisis fell upon the money markets of the United States. A shock struck American credit, and Europe would buy no more American bonds with her goods. The concussion propagated itself over the mines and factories of Europe, especially over those of England, which had supplied so many materials for the American railways. Loans died away, and with them the demand for those manufactured products in which they were lent. Buyers vanished. The iron and the coal, the cotton goods and the woollen cloths of the new factories were not wanted nor inquired for; profits were converted into losses; the rate of wages became intolerable. As trade fell away, the thought of a temporary lull, to be followed by a revival of the former briskness, fed hope in anxious makers. They shrank from reducing or stopping their works; they recoiled from dismissing workmen whose services they might soon be eager to regain. But the sting of their trouble lay in the new works added on to the old ones—the extended factories, the mines sunk down at great depths. So they struggled on into over-production. They went on making, as buyers went on failing—the over-consumption of fixed capital sentenced them to the sufferings of over-production.

But the stern facts of the situation became visible at last. Mills and mines were then closed in numbers—for the laws of trade, like those of nature, are peremptory. Where buyers are wanting, manufacturing and exchange must cease, whatever men and masters may say or do. Many men could find no employment, and were thrown upon public support—over-consumption thus everlastingly repeating itself, for these men lived, and did nothing for their livelihood. Wages were reduced and men struck, and fearful was the loss which the strikes made and are still making. On those who still remained in the mills, reduction after reduction was successively imposed; for still buyers failed to present themselves in expanding numbers. The cost of production has been lowered for many goods, but customers have not yet recovered their power to buy; time still is wanting for them to acquire wealth wherewith to purchase.

But the evil of over-production is gradually healing itself. The stoppage of works and diminution of manufacturing have gone on

for some time, and vast accumulations of unsalable stocks have wellnigh disappeared. The great evil, indeed, of over-consumption still remains, but not in so acute a form. The trouble which weighs down the whole commercial world is still excess of mechanical and manufacturing power in the face of decayed ability to buy ; but this excess is found now, not so much in the new works erected in the day of excitement, as in the ordinary natural manufacturing machinery. The poverty of buyers has been brought down by the over-consumption below the former level : consumption can not purchase even up to the old customary extent.

If the word production is to be used in this relation—and it is ever on the lips of many—over-cost of production would be the phrase that would best describe the actual commercial situation. The goods offered for sale are too dear for the means of consumers. Uncontrollable forces place them out of their reach, except at lower prices, or compel them to go without them altogether. Reduction of the cost of production, therefore, is the only outlet by which employers can escape the abandonment of their business, until other forces have restored to the nations their ancient power of purchasing. It is a situation identical with that created by famine. What happened to Ireland in 1847 has now befallen wide regions of the civilized world.

And, now, what are the remedies to be applied for the mitigation and ultimate termination of this depression with all its sufferings? Many of various kinds are proposed with much passion. One especially is advocated with great fervor by the working classes and their advocates. It takes its stand on the assumed fact of over-production. It imputes the blame of the calamity to this alleged proceeding, and proclaims that the cure will be obtained from its direct opposite. More goods, it argues, are made than consumers can be found to buy ; and they sink to prices which can not meet the cost of production. Reverse the practice—make less, it is vehemently urged ; work short time—and a cure will be effected. It is admitted that the market can not clear off the goods at existing prices, and that the laborers must receive less remuneration. Let the reduction be taken in five or four days' work a week instead of six—the rate of wage per day will then be kept up. The over-production will be stopped, all the goods made will be sold, and in good time the sunshine will again reappear.

This policy is founded on a complete misunderstanding of the nature of that industry which supplies the life of mankind with

those commodities which are summed up in the word wealth. A country is rich when much is produced ; it is poor, and its people live at a low level, when there is little made, little to divide among them. Now, what does this policy counsel ? Make less ; let there be less wealth. Work four days a week instead of six ; let the price of the goods and the rate of wage remain where they are now. And this advice to keep goods dear is urged at a time when all the commercial distress is the consequence of the one fact that there is little to buy with, little to give in exchange. Are such men unable to perceive the obvious truth that, if every man in a nation worked half time and produced half the quantity of goods, every man would be only half as well off ?

But worse still. The preachers of this policy make two assumptions which are perfectly false. They take it for granted that the cost of production of the goods and their price will both continue unchanged. The very reverse of this will take place : the goods under short time will be dearer to make and will be dearer to sell. In every manufacturing business there are heavy charges to be faced which will not be reduced by working fewer days in the week. Interest on capital will be the same, so also the rent of the buildings, the expense of pumping up the water from the mine, the charges for superintendence and office-work, the wear and tear of the machinery. These expenses were charged on the production of six days ; they will now fall on the goods manufactured in five or four, and inevitably they add to their cost of production, and consequently to the price which must be demanded for producing them. Many of the buyers who bought the goods of the five days will now be unable to afford them ; the over-production will be increased, the depression more intense, and the necessity for a further reduction will become irresistible. And who will be the sufferers ? If this principle is sound in policy, it will be applied to all trades, and goods dearer in every shop will be the inevitable consequence. The working classes are the greatest buyers and consumers in a nation ; their money, even if not diminished, will encounter higher prices, and will not go so far in purchasing ; they will have condemned themselves by short time to live upon a lower scale, with fewer comforts to enjoy, by their own act. Can it be a matter of surprise if the counselors who urged the enforcement of short time were described as advising workmen to commit suicide ?

What a contrast does the opposite method of proceeding present ! The laborer would receive the same diminished wage for

the week, but he works and produces during six days. The price of the goods can be lowered, for the reduction of wages has diminished the cost of production, and there are as many things made as previously. Fresh buyers come in who could not afford the former price. Even if the employer earns no profit, he may be saved from loss till the wealth of the country has expanded. More is produced on such a system in the various industries all round. The power of buying is thus increased, for there is more to give in exchange. The depression is attacked, face to face, in its very heart; the waste which created that depression is gradually restored by enlarged production, and, with the growth of commodities made, profits and wages are benefited together.

But there is another additional fallacy contained in the demand for short time. It involves the assumption that a minimum rate of wages can be decreed and enforced at the pleasure of the laborers. No more egregious delusion can befall wretched mortals. In all purchases the buyer is supreme. He decides whether the article shall be bought; and, if the price exceeds either his means or his desire to acquire the article, there will be no purchase. Nor will he be without other resources. He will betake himself to other sellers; he will fall back upon the competition of foreign producers, who work longer hours, and probably with more good will. This is a consideration of very serious import to a nation like England, which owes her commercial greatness, and with it the very existence of a large portion of her population, to her command of distant markets all over the world. The demand for a minimum wage, if one could conceive it to be persisted in, might bring countless English laborers, not only to the workhouse, but to starvation.

The sufferings of stagnant trade have brought home this thought of foreign rivals to the feelings of impoverished masters and workmen in many countries. Even in England, the stronghold of free trade, the cry for protection is increasingly heard. Not that protection is demanded in plain terms; for the people of England are profoundly convinced that protection is nothing but pure folly. It is disguised under the pleasant name of reciprocity, which is simply protection with an excuse for it. "The French refuse to buy our cottons," exclaims the embittered cotton-spinner; "let England retaliate by refusing to buy French silks. We shall thus accomplish two things: we shall punish France, and do good to the distressed silk-manufacturers of England. They will be protected against competing strangers with their long hours of working and low

wages. The national industries shall not be extinguished by an invasion so cruel."

But will this do any good to the cotton-spinner himself? for there is the rub. In truth, this language is scarcely rational—to be excused by a natural feeling of resentment for a supposed wrong. Reciprocity asks for the imposition of protection when it dares not say that protection can be defended, least of all by a motive which has no connection whatever with the trade in whose behalf it is demanded. Protect the silk-maker because the cotton-spinner is hurt: this is reciprocity in its full nakedness. A few truisms, it is believed, will suffice to make this clear.

The first thing that protection does is, to ask where the goods were made; its action turns upon the nationality of the merchandise. But what has the place where the goods were made to do with the buying and the selling of them? What rational principle can be pleaded for thrusting in the nationality of the goods between buyer and seller? The price and the quality of the goods are the only things which concern them. Be the two men of the same nation, or be they, one a Frenchman, the other an Englishman, *Tros Tyriusve*, what matters it? "Oh!" the thoughtless reply, "the English buy French goods, but the French will not buy English goods in return." Then with what does the Englishman make the purchase? Trade is nothing but an exchange of goods of equal value. No one, be it man or nation, can buy unless it also sells. The English must give the French what their goods are worth, or they will never get them. "Exactly so," it is replied. "The French may choose to say that they want nothing which England produces; they may insist on being paid in money. If so, what is the harm?" Money is ever introducing confusion into this very simple subject. England does not grow gold in her fields. If the Frenchmen insist on having gold, then England can not buy the French goods, unless some other country has given her gold in exchange for her goods; she passes that gold on to the French, and there the matter ends. She has indirectly, but very really, given goods for goods; she has sold as much as she has bought. There is no loss on either side; each produces an equal worth of goods to exchange. It may make the explanation clearer if it be allowed to repeat here a passage which bears directly on this subject:

The truth stands out in clear sunshine. Free trade can not and does not injure domestic industry. Under free trade foreign countries give in every case as much employment to English workmen and capitalists as if nothing

had been bought abroad. English goods of the same value must be purchased by the foreigner, or the trade comes to an end. There must be an equal amount of English goods made and sent away, or England will never obtain the foreign commodities. Free trade never does harm to the country which practices it; and that mighty fact alone kills protection. Let those who are backsliding into protection be asked, Can and will the foreigner give away his goods to any country without insisting on receiving back, directly or indirectly, an equal quantity of that country's goods? Let the question be pushed home, and all talk about injury to domestic industry must cease ("Chapters on Practical Political Economy," p. 307).

But how does protection act? It imposes a duty on the foreign-made article, and not on the one made at home. Thus, the price of the foreign commodity is raised—always to a height sufficient to make it dearer than its domestic competitor, or even to exclude it from the home market altogether. By this intervention, the home commodity, which was driven from the market by its naturally higher price, becomes the cheaper of the two, and commands the market in consequence. But who pays the duty, or else the excess of price, of the domestic above that of the foreign article if it had been allowed to come in free? The home buyers; that is, the whole people of the country which imposes protection. They pay more to their own countrymen than they would have had to pay to the foreign maker. The difference is a tax imposed to support certain persons who would be unable to maintain themselves by the trade in which they are engaged. Clearly, then, it is a poor-rate paid by the protecting nation at its own cost, given to the home makers, an impoverishment of the public wealth, which they consume and destroy without giving any compensation for it beyond what the foreigner would have bestowed at his lower price.

Protection is an erroneous policy; but it raises a fair issue: Shall the supplies which a nation wants be made at home or abroad? And it can allege reasons plausible at first sight. But reciprocity, as it is now put, can plead none but childish reasons in its own behalf. It does not say that protection is a wise policy: far from it. But it says, in England, for instance: "The American diminishes our trade by putting a duty on English iron. He diminishes his own trade also, it is true, and he puts a tax on the American people, which they themselves have to pay. Still, he hurts us: let us hurt him in turn." "But what good will that do us? Will it increase our trade? Will it cure our depression?" "Not at all. But it will punish him; and let us have this gratification, even though we can obtain it only by

taxing ourselves, and in addition contracting our already depressed trade." Is it possible that any one grown up to man's estate can utter such absurdities?

The demand for reciprocity is the child of a radical misconception—of the want of perception of a very simple fact. It mixes up and confounds together into one, two things which have no connection whatever with each other. It chooses to regard two separate trades as one; and on this blunder its absurd advice is founded. It does not see that the production of silks is a business which stands by itself. England decides not to protect her silks, but to buy the French silks, thereby saving wealth and avoiding the losses which protection always entails. There the matter ends. The French pursue the reverse policy. They protect their cottons, and will not buy those of England. That is a foolish proceeding, for France puts a tax upon herself, and restricts the trade between France and England. But what motive does the bad form which France gives to her cotton trade furnish to England for altering the sound organization she has bestowed on the silk trade? That organization was settled on its own merits without reference to anything else but silk. How can it be affected by what happens to cotton? How can a bad form given to the cotton-supply be a reason for a bad form also being given to the production of silk? Silk and cotton are perfect strangers to each other, touching at no point. Reciprocity may try for ever, but it will never find a reason why a country having received a hurt in one trade should, on that account, of her own doing, hurt herself in another.

Finally, what is to be done to end the commercial depression? Reverse the process which created it. Instead of over-consuming, make more wealth. Produce much, with earnestness and continuance of work, restoring the consumption that does and must go on with new wealth—making an addition to it by saving. The savings will be capital, instruments for increased production, and for accumulating a larger stock of wealth to be divided over the whole people. This enlarged stock will strike at the heart of the depression, as has been so manifestly shown by the effects on the commercial stock of the American people of the grand addition made to its wealth by the abundance of its harvests. That was a production of more, effected by the hand of Providence, but setting up a noble example for imitation and proclaiming the great economical truth that to make much all round is the root of all prosperity.

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